

The head of Ukraine's gas company has been shot at, pilloried on TV and attacked by Giuliani associates. It's all in a day's work.

The chief of Naftogaz Ukrainy is fighting on every front to reform a hotbed of power struggles and intrigue.

By **Jeanne Whalen**

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The head of Ukraine's state-owned gas company says he has spent the past five years fighting corruption, boosting profits and lessening his nation's dependence on Russia. So why does he have so many enemies?

Early this year, Ukraine's former government attempted to oust Andriy Kobolyev, saying the CEO of Naftogaz Ukrainy was accomplishing too little and earning too much. Kobolyev, speaking in an interview with The Washington Post, said the government then was aligned with a Ukrainian oligarch who opposed the CEO's corruption-fighting efforts.

Then, in March, Kobolyev came under attack by two associates of Rudolph Giuliani, President Trump's personal attorney. They wanted to install a new Naftogaz chief and secure a gas-supply deal.

Since becoming Naftogaz's CEO, Kobolyev has been shot at, pilloried on Ukrainian TV and bombarded with questions from the media about the Trump administration's [activities in Ukraine](#), which are now at the heart of an [impeachment inquiry](#).

The machinations are par for the course at Naftogaz, which transports billions of dollars of natural gas through and around Ukraine each year. The energy giant is among the most valuable businesses in one of Europe's most populous and tumultuous countries, making it a longtime center of power struggles and intrigue.

"Gas has been the single greatest source of corruption in Ukraine these past 30 years," said Thane Gustafson, senior director of research firm [IHS Markit](#) and author of several [energy books](#).

Kobolyev, 41, said he has fought hard to end this troubled history and turn Naftogaz into a proper, functioning company. His main focus now is "to be sure we are able to preserve the achievements of the last five years, especially in terms of fighting corruption."

The Naftogaz chief has plenty of supporters, including members of the company's supervisory board and the recently recalled U.S. ambassador to Ukraine.

Ukraine, called Kobolyev “as clean as they come,” saying he had been “fearless and determined to sort of shake everything up.”

“We consider it to be one of the success stories in Ukraine,” she said in Oct. 11 [testimony](#) that was made public Monday. “But that doesn’t mean it’s done. I mean, there’s still issues going forward.”

In [his recent testimony](#) to impeachment investigators, Gordon Sondland, the U.S. ambassador to the European Union, also described lingering problems at Naftogaz, saying the U.S. “frequently had conversations with Ukrainian leaders about transparency and corporate governance issues” at the company.

The gas giant’s financial performance has improved under Kobolyev. When he [took over](#) in March 2014, Naftogaz was losing billions of dollars a year. Last year it turned a profit and contributed 15 percent of the government’s revenue, through tax and dividend payments.

And Ukraine is now less beholden to its archrival, Russia, because Naftogaz under Kobolyev started buying more gas from Western suppliers, eventually eliminating all purchases from Russia, amounting to billions of dollars a year.

Kobolyev declined to comment on many recent events that have vaulted Naftogaz and Ukraine into the news. He wouldn’t air any views on why Giuliani’s associates — Lev Parnas and Igor Fruman — tried to replace him with a different CEO. Lawyers for [Parnas and Fruman](#) also declined to comment.

Nor would Kobolyev comment on U.S. Energy Secretary Rick Perry’s efforts to shake up Naftogaz’s supervisory board, as first reported by the Associated Press and confirmed to The Post by people familiar with the matter, who said Perry lobbied Ukraine to install new board members during a May visit to Kyiv. The Department of Energy didn’t respond to requests for comment.

But Kobolyev spoke at length about one of his primary headaches: the Ukrainian oligarch Dmytro Firtash, who he said has caused Naftogaz trouble for many years.

Firtash and his companies have long taken part in “corrupt schemes” that have siphoned money away from Naftogaz, Kobolyev contends. The Naftogaz chief said he has ended some of these dealings but has struggled to stop one that is costing the company big money.

Firtash owns a group of companies that acquire gas from Naftogaz and sell it to households for use in heating and cooking. Ukrainian regulations require Naftogaz to supply these companies, called oblgazy, even if they don’t pay for the gas, Naftogaz said. And often the oblgazy don’t pay, acquiring gas for nothing and selling it for a large profit, Kobolyev said.

Naftogaz says Firtash controls 70 percent of the oblgazy in Ukraine, which in total owe Naftogaz debts of \$3 billion. “They take our gas without limitation,” Kobolyev said. “It is a big problem for us.”

Firtash’s legal team declined to comment for this article. Firtash’s holding company, Group DF, disputed Naftogaz’s description of the oblgazy, saying they have racked up debts not because they are corrupt and unwilling to pay, but because they themselves can’t collect enough from gas consumers to cover their costs. Group DF blamed this on

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Federal prosecutors pursuing that case believe Firtash may have some sort of relationship with Parnas and Fruman, the Giuliani associates who tried to oust Kobolyev. Parnas served as a translator for Firtash's legal team.

Kobolyev called Ukraine's previous government, overseen until August by Prime Minister Volodymyr Groysman, "hugely corrupt," saying it protected Firtash's oblgazy even though they were damaging Naftogaz.

In Ukraine, the president is chosen by popular election and is responsible for foreign policy and defense. The prime minister, appointed by the president and confirmed by parliament, leads the executive branch, which handles economic policy and domestic affairs.

In an emailed statement, Groysman called Kobolyev's claim that he protected Firtash "baseless," saying he fought hard against corruption and "never met or had any conversations with Firtash."

"I always fought for what was right for the people, even when it was more politically beneficial to remain neutral," Groysman said. Firtash's company also denied it had any special relationship with Groysman's government.

Kobolyev said he is pushing Ukraine's new government, which came to power after the April election of President Volodymyr Zelensky, to fix the oblgazy situation. If the oblgazy don't pay their debts, the government should nationalize them, he said. "If there is critical infrastructure in the system that is private, and those companies cannot afford maintaining their business ... they should not be able to continue," he said.

Naftogaz was carved out of the Soviet Union's energy industry, which produced natural gas in Russia's Siberian fields and exported it by pipeline across Ukraine to Europe.

When the Soviet Union broke up, Naftogaz retained Ukraine's pipelines and began charging Russia's gas monopoly, Gazprom, to ship gas through Ukraine to customers in Western Europe. Naftogaz also began buying gas from Russia for Ukraine's domestic use.

Intermediaries inserted themselves into this trade in a fashion widely viewed as corrupt. The politically connected middlemen would buy gas from Gazprom at below-market prices and resell it to Naftogaz at a big markup, pocketing large profits without adding any value, Kobolyev said, echoing a long-running complaint of Ukrainian and U.S. officials.

By 2007, Naftogaz appeared "close to bankruptcy" in part "because middlemen RosUkrEnergo and UkrHazEnergo are siphoning off much of the cash flow in Ukraine's gas market," U.S. diplomats stationed in Kyiv wrote in a cable subsequently published by WikiLeaks.

Firtash and a colleague owned half of the trading company RosUkrEnergo, while Gazprom owned the other half, the partners have confirmed. A U.S. diplomatic cable from March 2009, sent by then-Ambassador William Taylor, described RosUkrEnergo as "a cash cow and a serious source of corruption and political patronage."

Taylor returned to Ukraine as the United States's top diplomat this year and has offered damning testimony in the Trump impeachment inquiry, saying the White House threatened to withdraw military aid unless Ukraine announced investigations for the president's political benefit

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After Yanukovich fled Ukraine, an interim government took power and appointed Kobolyev as Naftogaz's chief executive, in March 2014.

Kobolyev previously had held several positions at Naftogaz, between 2002 and 2010, working in the pricing-policy and corporate finance departments. After that he worked as an adviser at AYA Capital, a firm that provided investment banking services.

At a Kyiv news conference after his appointment as CEO, Kobolyev said he had “mixed” feelings about returning to Naftogaz. “I understand what a difficult job it is,” he said.

He started by putting an end to several intermediaries that were earning “unjustified profits” by buying gas from Russia and selling it to Ukraine, he said. By this time, RosUkrEnergo had already been sidelined, but other middlemen had cropped up. “We stopped all those things,” he said.

Then, in 2015, Naftogaz says it cut off gas to two Firtash-controlled chemical factories until they agreed to pay debts of \$120 million. Firtash’s company said the standoff lasted four months.

Kobolyev knew he was making enemies in November 2015, when an unidentified gunman fired shots just over the roof of his car, hitting his house as he was leaving on a business trip.

He considered it an act of intimidation, he said, “because if they wanted to kill, they probably would have shot with more accuracy.”

Kobolyev said he doesn’t know who was responsible for the attack. Afterward, he beefed up his security detail.

The Naftogaz chief also pressed the Ukrainian government, overseen from April 2016 to August 2019 by Prime Minister Groysman, to scrap the regulations that require the gas company to supply the non-paying oblgazy.

Kobolyev said those pleas fell on deaf ears.

Meanwhile, a Firtash-controlled television station called Inter started airing negative coverage about Kobolyev. “Every Saturday, they would run shows saying how bad Naftogaz is, what a bad person Kobolyev is,” the Naftogaz chief said. The same TV station lavished praise on Groysman, he said.

“In Ukraine, those favors don’t come for free. If you want a TV channel which is actually a propaganda channel to promote you, that comes at a cost,” he said. Firtash’s company said it “does not influence the independent editorial policy” of the TV channel.

Early this year, Groysman announced that the government would not renew Kobolyev’s contract after it expired March 22. The prime minister criticized Naftogaz’s performance, and the large compensation packages the company awarded top executives in 2018, which more than tripled from 2017 levels.

Kobolyev earned \$11.5 million in salary and bonus, according to the company, which said he and other executives earned the pay in part by winning a major arbitration case against Gazprom that netted Naftogaz \$2.6 billion.

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“This outcome would quickly result in the reestablishment of corrupt schemes in the natural gas sector, redirecting funds out of the company, away from the state budget, and into the pockets of individuals like Dmytro Firtash,” Naftogaz’s U.S. lobbying firm, Yorktown Solutions, said in a March 7 document filed with the Justice Department.

Naftogaz’s seven-person supervisory board, which includes four Western directors, pushed for Kobolyev to remain in place. Board member Hochstein said he wanted to “prevent the firing of the CEO simply for the reason that he refused to cooperate with a corrupt oligarch,” adding that he was referring to Firtash.

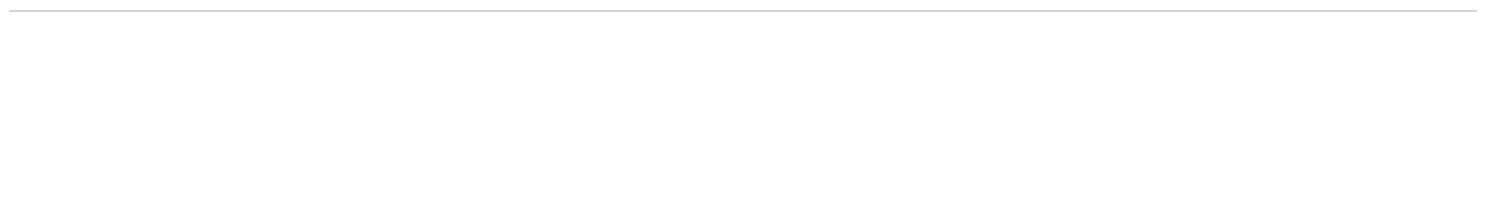
At the end of March, the Ukrainian government backed down and agreed to extend Kobolyev’s contract by one year, but cut his salary in half.

After Zelensky was elected Ukraine’s new president in April, his party won a landslide victory in parliamentary elections. Legislators then endorsed a Zelensky ally, Oleksiy Honcharuk, to be prime minister.

Kobolyev said he is trying to win the support of the new regime, which he hopes will take action to prevent the Firtash-owned oblgazy from racking up more debts. “At the end of the day it is the ultimate shareholder that is suffering,” he said.

A spokeswoman for the new prime minister didn’t respond to requests for comment.

Tom Hamburger, Steven Mufson and Paul Sonne contributed to this report.



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